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RUEHHH/OPEC COLLECTIVE

C O N F I D E N T I A L ABU DHABI 000332

SIPDIS

DEPARTMENT FOR NEA/ARP (BMASILKO) AND EEB/ESC/IEC/EPC (MMCMANUS)

E.O. 12958: DECL: 03/31/2019

TAGS: [EPET](#) [ENRG](#) [PGOV](#) [AE](#)

SUBJECT: UAE ENERGY MINISTER ON OIL PRICES, INVESTMENT

Classified by Ambassador Richard Olson for reasons 1.4 (b and d).

REFS: A) 08 ABU DHABI 1385

B) 08 ABU DHABI 1062

¶1. (C) During a March 30 meeting, UAE Minister of Energy Mohammed bin Dhaen Al Hamili told the Ambassador that the UAE would be "lucky" if oil prices stabilized at USD 50/barrel. Al Hamili said that low oil prices were needed to stimulate the "very weak" world economy. He noted that the UAE never promotes high oil prices and that 2008 highs were a result of speculation, not market fundamentals.

¶2. (c) Al Hamili said the UAE has a moral obligation to maintain excess capacity to meet sudden demand spikes, although excess capacity is not profitable. Adding that spare capacity prevents oil price spikes, Al Hamili commented that only the UAE, Kuwait, Saudi Arabia and perhaps Iraq are currently producing below capacity. Repeating the views of senior Abu Dhabi National Oil Company (ADNOC) officials (reftels), Al Hamili said that the UAE would continue to invest in scheduled capacity expansion. Unlike other countries, the UAE has the necessary reserves to continue scheduled projects despite tight global liquidity. Al Hamili said that he feared declining industry investment elsewhere could lead to future high oil prices if rising demand exceeded supply as the global economy recovered.

OLSON